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President Guebuza warns against euphoria over minerals

Mozambican President Armando Guebuza on 12 April criticised those who complain that there are no immediate benefits from the discovery of mineral resources in the country. Speaking in the southern city of Matola, at the opening of a session of the National Committee of the Association of Veterans of the National Liberation Struggle (ACLLN), President Guebuza said that the minerals belong to all Mozambicans – but that extracting and marketing them will take a long time.

President Guebuza noted that some people have asked “if we have coal, where are the gains?” But he pointed out that the Brazilian mining company Vale had started its exploratory work in Tete province in 2004, had signed a mining contract with the government in 2007, but had only begun to sell and export the coal in 2011.

As for the offshore deposits of natural gas, found in the Rovuma Basin, in the far north of the country, President Guebuza said the gas would only being to be extracted from 2018 “and exploiting just a part of this gas will require investment of around $18 billion – equivalent to everything the country produces in a year”.

The figure of $19 billion comes from the US company, Anadarko, which estimates it will to spend that much in extracting the gas and building an onshore liquefied natural gas (LNG) plant. Other major gas discoveries have been made in a different Rovuma Basin bloc by the Italian company, ENI.

To emerge from poverty, President Guebuza stressed, Mozambicans must continue to work. Their capacity for hard work was already shown in the fact that, even without the Tete coal and Rovuma Basin gas, the country’s economy was growing at an annual average rate of seven per cent.

He warned that, even when the coal and gas projects are in full production, they will not be able to employ all Mozambicans. It was thus important to develop other areas such as agriculture, agro-industry and tourism.

President Guebuza stressed that 2012 is a special year for the veterans because it is the 50th anniversary of the foundation of the Mozambique Liberation Front (Frelimo). The commemorations will reach their climax with the Tenth Frelimo Congress, to be held in the northern city of Pemba in September.

“This year also marks the 20th anniversary of peace, which will be commemorated on 4 October” (the anniversary of the 1992 agreement signed in Rome between President Guebuza’s predecessor, Joaquim Chissano, and the leader of Renamo, Afonso Dhlakama). The peace that Mozambicans are now consolidating, the President said, “is an indispensable ingredient for the development and strengthening of national unity and fraternity”

President Guebuza urged the veterans to take advantage of these anniversaries and use every opportunity to speak of the history of Mozambique, “for if we don’t do it, nobody else will speak of our history so that others may listen and understand it”.

President Guebuza receives MCC Vice-President

President Armando Guebuza on 30 March received the Deputy-President for Compact Operations of the US Millennium Challenge Corporation (MCC), Patrick Fine, to assess the current stage of the five year compact which the MCC signed with Mozambique in 2008.

On leaving the meeting, Fine told reporters that President Guebuza had a positive assessment of the MCC programme, which involves a grant of $506.9 million for water supply and sanitation, roads, land tenure services and farmer income support, mostly in the north of the country.

“In the area of support for agriculture”, said Fine, “the programme has guaranteed the distribution of 2,000 land use titles in 12 districts. We are encouraged because we believe we are going to meet our targets on time”.

“We believe that the projects under implementation are a great contribution to the development of Mozambique”, said Fine. But he warned that a great deal of work lies ahead if everything in the compact is to be completed by 2013.

Other work under the MCC programme includes rehabilitating the water supply and drainage systems in the northern city of Nampula, rehabilitating the dam that provides drinking water to the port city of Nacala, and rebuilding sections of the main north-south highway in Zambezia and Nampula provinces.

In agriculture, the MCC is also fighting against the lethal yellowing disease that has devastated the country coconut palms, and is trying to restore the coconut plantations, notably in Zambezia province, to health.

Benefits of mega-projects outlined

The Mozambican government is in favour of large scale industrial, mining and agricultural projects because they contribute to the rapid formation of national capital, provide a large amount of direct and indirect employment, lead to an increase in exports and state revenue, and provide a market for small and medium companies, the Minister of Planning and Development, Aiuba Cuereneia, told the Mozambican parliament, the Assembly of the Republic, on 11 April.

Replying to questions from deputies, Cuereneia argued that mega-projects are not isolated from the rest of the economy. Instead, they have a multiplier effect, with "direct benefits for the places where these projects are implanted".

Local purchases of goods and services by mega-projects have risen from $45 million in 2002, to $350 million in 20111, Cuereneia said that the number of Mozambican companies that have permanent contracts with the mega-projects has now reached an average of 80 per mega-project, while the number of companies that are occasional suppliers is more than 1,000 per year for each mega-project.

Cuereneia cited the Mozal aluminium smelter, on the outskirts of Maputo which, in addition to the 1,200 direct jobs at the smelter itself, has also created 800 jobs in the small and medium companies that supply it with goods and services. Mozal's purchases from these companies amount to $96 million a year.

Cuereneia added that the mega-projects have also been involved in training and transferring technology to smaller local industries. He said that in one programme, run jointly by the government and some of the mega-projects, over 100 companies took part and over 3,000 workers benefitted.

"This resulted in improved capacities for management, maintenance and integrated health, safety, environmental and quality programmes", said Cuereneia.

He noted that in Tete a Business Linkages Coordinating Committee has been set up "to empower small scale food producers who supply the companies providing meals for workers at the mining mega-projects".

The mega-projects thus stimulated small scale production in agriculture and livestock "thus allowing an increase in the supply of a variety of products for the local market". Cuereneia estimated that the Tete mining companies have generated 50,000 indirect jobs in such small scale activities.

The multiplier effect could be seen in the way other investments seemed to follow the mega-projects. Thus in Tete, the volume of investment approved by the government, excluding the mega-projects, has risen from $31.1 million in 2008 to $424.4 million in 2011.

Cuereneia also pointed to the rise in the country's exports. In 1998, before there were any mega-projects, Mozambique's exports amounted to just $240 million. But in 2011, exports reached $2.687 billion, and this year exports are expected to exceed $3 billion.

Cuereneia admitted that mega-projects are capital intensive. Thus usually far more direct jobs are created in the construction of the projects than in operating them. 6,000 workers were involved in building the natural gas treatment plant and pipeline in the southern province of Inhambane, run by the South African petro-chemical giant, Sasol, but operating the plant involves just 183 permanent jobs.

The Moatize open cast coal mine, run by the Brazilian company Vale, employed 5,090 workers during construction, but only 856 in the current mining phase.

Thus, despite the benefits brought by mega-projects, "in order to solve the problem of employment, our country must continue to bank on agriculture", Cuereneia said.

Prime Minister discusses vaccine trials

Mozambique is committed to international efforts to develop a vaccine against malaria, Prime Minister Aires Ali told the Assembly of the Republic, on 11 April. Responding to a question from the main opposition party, Renamo, about the vaccine, Ali said that Mozambique is one of seven African countries where a third phase of studies into a candidate vaccine began in May 2009.

The tests are taking place at the Manhica Health Research Centre where 1,635 children are taking part in the trial. The full results not will be available until December 2013.

Meanwhile, the government is supporting home spraying against mosquitoes, the use of insecticide-impregnated bed nets, rapid diagnostic tests for the disease, and modern anti-malarial drugs. The strategy, Ali said, has resulted in a sharp decline in the number of malaria cases diagnosed, which fell from six million in 2005, to three million in 2011.

Ali confirmed that Mozambique is also participating in a clinical trial of a vaccine against HIV. This began on a small scale in September 2011, with the administration of the vaccine to 24 volunteers. The results of the trial will not be available until March 2013.

Significant progress has made in treating HIV-positive people. When the National Strategy against HIV/AIDS began in 2003, only 3,314 people were benefitting from treatment with the life-prolonging anti-retroviral drugs. But by December 2011, Ali said, the number of people receiving anti-retroviral therapy had risen to 273,561.

Namibian President addresses parliament

"Democracy would be meaningless if our people remain unemployed and poor", declared Namibian President Hifikepunye Pohamba in Maputo on 29 March.

Addressing the Assembly of the Republic on the first day of a two day state visit, Pohamba said that the liberation struggles in southern Africa had brought democracy to the region "which guarantees respect for fundamental freedoms and human rights to our people".

But he warned that democracy "would be meaningless, if our people do not have access to basic amenities such as shelter, potable water, food, health care, education and human security".

He praised the Mozambican Assembly for achieving a high percentage of women in its ranks. Almost 40 per cent of Mozambique's parliamentary deputies are women – one of the highest percentages for parliaments, not only in Africa, but in the world.

Pohamba stressed that "we, as Africans, must take charge of the development of our countries and our continent. We must mobilise the needed resources in order to overcome the challenges of poverty, hunger, disease and underdevelopment".

"While we welcome and appreciate assistance from our development partners, we must base our developmental efforts on African realities", he added. "Solutions to African problems must be home-grown".

Pohamba paid tribute to Mozambique's first President, Samora Machel, "who was brutally killed by the enemies of our independence and freedom" in 1986.

"In order to honour his memory, it is our responsibility to ensure that his sacrifice was not in vain and that his enduring legacy is upheld", the Namibian leader said. "We should remain true to the principles of promoting social justice by implementing policies aimed at fighting poverty and improving the living conditions of our peoples".

World Bank announces new Country Partnership Strategy

The Board of Directors of the World Bank on 3 April approved a new Country Partnership Strategy (CPS) for Mozambique for the 2012-2016 period which the Bank states is "designed to promote inclusive, broadly-shared economic growth".

According to the World Bank, the new Strategy is backed by a funding plan amounting to $1.04 billion "with a significant grant content" from the IDA (International Development Association – the Bank's agency for developing counties, which normally provides soft loans).

The grants and loans "will target key, growth-inducing areas of the economy including agriculture, climate change, energy, environment, health and transport".

According to Planning and Development Minister Aiuba Cuereneia, "the Country Partnership Strategy is fully aligned with Mozambique's own development aspirations. We are confident that the new Strategy will make a major contribution to achieving our shared goals of accelerated growth that benefits all citizens".

The Bank's Board also approved funding of $120 million to support the Mozambican government's "Cities and Climate Change" project. This will benefit 20 municipalities in central and southern Mozambique which are prone to extreme weather events.

The Bank points out that "Mozambique ranks third among African countries most exposed to climatic risks and coastal cities are particularly vulnerable to flooding and erosion that have devastating impacts on poor people".

BADEA finances new general hospital in Nampula

The Arab Bank for Economic Development in Africa (BADEA) will lend Mozambique $9 million to finance the construction and equipping of a new general hospital in the northern city of Nampula.

An agreement to this effect was signed between BADEA and the Mozambican government on 2 April in Khartoum, during the annual meeting of the Islamic Development Bank.

Finance Minister Manuel Chang signed for the government, and the BADEA General Manager, Abdelaziz Khelef, signed for the bank.

The loan is to be repaid over 30 years, with a ten year period of grace, and at an annual interest rate of one per cent.

The project is aimed at supporting one of the government's priority objectives – which is the expansion and improved coverage of the health services, with particular emphasis on mother and child health and reducing the child and maternal mortality rates.

Up to the end of March this year, the total amount of loans from BADEA to Mozambique had reached almost $230 million.

ADB to fund Lower Limpopo irrigation

The Mozambican government and the African Development Bank (ADB) are working on the final details of a contract to fund the second phase of the rehabilitation of the Lower Limpopo irrigation scheme, in the southern province of Gaza.

Budgeted at $35 million, the project should take off early in 2013, and cover an irrigated area of about 2,000 hectares on which the main crops will be rice and vegetables.

The second phase of the rehabilitation is part of an overall package of $300 million of loans from the ADB to finance infrastructures such as rural roads and irrigation schemes over a three year period.

Among other major projects in this package are repairs to the Massingir dam on the Elephants River, also in Gaza, and the rehabilitation of the road from the northern port of Nacala to the city of Cuamba, in Niassa province.

The first phase of the project was undertaken in 2005, and covered an area of 4,000 hectares. The second phase, in addition to adding a further 2,000 hectares, will also make small repairs to defects noted in the previous work.

EU funding to support Millennium Development Goals

The Mozambican government and the European Union signed an agreement in Maputo on 28 March under which the EU will disburse €67.3 million ($89.7 million) to support the government's efforts to achieve the Millennium Development Goals (MDGs).

The agreement was signed by Deputy Foreign Minister Henrique Banze and the head of the EU Delegation in Mozambique, Paul Malin.

This new funding makes Mozambique the largest beneficiary of the EU's MDG initiative, out of the 36 countries that are benefitting from it. An EU release said the agreement "is a positive sign of Mozambique-European Union cooperation".

The money is in addition to the package of €622 million from the 10th European Development Fund for the period 2008-2013.

Malin said "The MDG initiative shows the determination of the EU to use its aid for the benefit of the poorest, and the continued leadership role of the EU in development aid".

"Even during a financial crisis, Europe remains a key partner for the governments of developing countries", he added. "But let's not deceive ourselves: the environment for development aid is changing. The status quo will no longer apply, and we will have to work hard together to justify our funding".

Malin warned that European taxpayers had to be convinced that their money is being properly and transparently used. He added "although our commitment to development has not changed, our form of proceeding will change".

Banze said the government planned to use the funds to achieve the first of the eight MDGs – to eradicate absolute poverty and reduce hunger, "through reducing the levels of food insecurity and chronic malnutrition from the current rates of 35 and 44 per cent, to 25 and 30 per cent respectively".

The government will intervene to make food available, he added, through increased agricultural production and productivity, greater access to good quality foodstuffs, and better linkages between producers and markets.

The President of the European Commission, Jose Manuel Barroso, announced the MDG initiative in September 2010, with potential funding of one billion euros. All the EU's partners in the ACP (Africa, Caribbean and Pacific) group of countries who have ratified the Cotonou agreement are eligible for funds under this initiative.

This is a condensed version of the AIM daily news service – for details contact aim@aim.org.mz

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President Guebuza and Prime Minister Coelho close Cahora Bassa dossier

President Armando Guebuza and Portuguese Prime Minister Pedro Passos Coelho on 9 April signed an agreement in Maputo under which the Mozambican state will obtain, by 2014, 100 per cent of the shares in Hidroelectrica de Cahora Bassa (HCB), the company that operates the Cahora Bassa dam on the Zambezi.

Up until 2007, the Portuguese state was the majority shareholder in HCB – Portugal held 82 per cent of the shares, and Mozambique just 18 per cent. Lengthy negotiations over the future of HCB came to a successful conclusion that year in a deal whereby most of the Portuguese shares were sold to Mozambique for $700 million. The money was obtained as a loan from a consortium of French and Portuguese banks which is being paid off out of HCB's profits.

The 2007 agreement gave Mozambique 85 per cent of the HCB shares, leaving Portugal with 15 per cent.

Under Monday's arrangement, Portugal will dispose of its 15 per cent in two stages. First, 7.5 per cent will be sold for $42 million. This money must be paid to Portugal by September.

The other 7.5 per cent passes into the hands of the Portuguese company REN (Redes Energeticas Nacionais), which operates the Portuguese national electricity grid. Over the next two years, REN will relinquish its holding in HCB, in exchange for shares in the company, not yet set up, that will operate a new electricity transmission line from Tete province to Maputo.

The new line, officially known as the CESUL (Centre-South) project, but usually referred to as the "backbone" of the Mozambican electricity grid, is necessary because the existing line, from Cahora Bassa to the Apollo substation in South Africa, cannot carry any more power. More power stations are planned for Tete – at the projected new dam on the Zambezi at Mpanda Nkua, a second power station at Cahora Bassa, and coal fired power stations that will use the lower grade coal that mining companies do not export.

Between them, Mpanda Nkua and the Cahora Bassa north bank power station will generate 2,750 megawatts, and this power can only reach its intended markets along new transmission lines.

Speaking after the signing ceremony, President Guebuza said that the agreement marks the closure of the process whereby ownership of HCB passes into Mozambican hands. Both countries could take pride in this outcome, which would bring them closer together.

HCB, the President stressed, was key to the electrification of Mozambique, and to the development of communities who could enjoy an electricity supply 24 hours a day, seven days a week.

Indeed, since the 2007 agreement, the power that HCB sells to the electricity distribution company EDM has been used to electrify all but a handful of capitals of the country's 128 districts. According to EDM, about 18 per cent of the Mozambican population has electricity in their homes – much more than the average figure for sub-Saharan Arica of 12 per cent.

For Passos Coelho, the agreement meant solving a problem of the past, and opening horizons for a bright future in the relations between the two countries.

"It's a great joy to solve this question, which came to us from the past", he said. "It opens prospects for a different future. Right away we have to work hard together in the field of energy, we have to invest jointly in opportunities in this field".

Mozambican Energy Minister Salvador Namburete told reporters that, just like the repayment of the bank loan, the money to buy the shares from Portugal will come from sales of HCB power. "If we managed to negotiate $700 million for the main operation, we're not going to run into difficulties now", he said.

As for CESUL, Namburete said that Portugal will participate in this project through REN. REN would give up its 7.5 per cent in HCB, in exchange for shares of the equivalent value in CESUL. If necessary, the Portuguese company might invest more in CESUL.

Government relaunches water privatisation

Mozambique's Water Supply Investments and Assets Fund (FIPAG) is to cease distributing water, farming out that task to private companies.

To this end, the Council of Ministers (Cabinet) on 3 April approved alterations to the 1998 decree which set up FIPAG. These changes will ensure that FIPAG exclusively plays the role of financing and managing water assets, and will no longer be directly involved in the distribution of water.

"We believe that it is not FIPAG's vocation to distribute water. FIPAG exists to manage the assets", declared the government's official spokesperson, Deputy Justice Minister Alberto Nkutumula.

In the initial phase, FIPAG will hold a majority of the shares in the companies set up to handle water distribution. But shares will then be sold to private businesses, so that FIPAG ends up a minority shareholder.

The Council of Ministers also set up the National Irrigation Institute, a public body that will deal with the planning, development and management of water resources for agricultural purposes. According to Deputy Agriculture Minister Antonio Limbau, the new Institute is the logical result of the National Agricultural Sector Development Plan and the Irrigation Strategy which the government approved last year.

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